

THE WALL STREET JOURNAL.

This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers visit <http://www.djreprints.com>.

<http://www.wsj.com/articles/glencore-in-early-refinancing-of-8-45-billion-loan-1455694799>

BUSINESS

Glencore Refinances Early to Allay Debt Worries

Move means Swiss-based commodities trader and miner will have no refinancing commitments until May 2018



The early refinancing means the Switzerland-based commodities trader and miner will have no refinancing commitments until May 2018. *PHOTO: REUTERS*

By ALEX MACDONALD

Updated Feb. 17, 2016 7:13 a.m. ET

LONDON—Commodities titan Glencore PLC agreed Wednesday to refinance an \$8.45 billion loan facility ahead of schedule in a bid to allay investor concerns about its ability to refinance its hefty debt burden in a sustained commodities downturn.

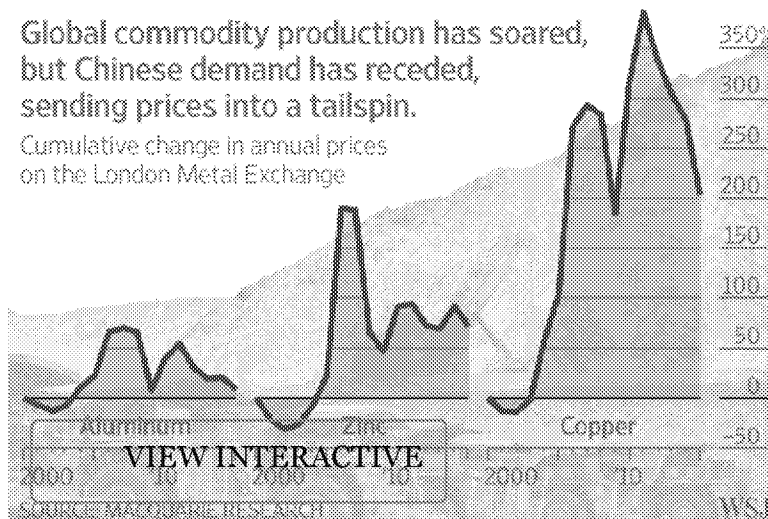
The Switzerland-based commodities trader and miner said it will replace its existing \$8.45 billion revolving credit facility, due to expire in May, with a \$7.7 billion facility that has no financial covenants and will now expire two years later.

The early refinancing means Glencore will now have no refinancing commitments until May 2018, a person close the refinancing said.

The Commodities Super Slump

Global commodity production has soared, but Chinese demand has receded, sending prices into a tailspin.

Cumulative change in annual prices on the London Metal Exchange



Glencore's shares surged 17% on Wednesday in London, though they remain down by more than half over the past 12 months.

Glencore, like many other miners, has been aggressively restructuring its businesses to weather a protracted slump in commodity prices as demand from China, the

world's second-largest economy, continues to slacken, and output continues to rise following years of overinvestment in the industry.

RELATED ARTICLES

- Glencore Gives New Details on Debt-Reduction Plan (<http://www.wsj.com/articles/glencore-shares-hit-new-low-after-announcing-debt-rescue-plan-1442320240>) (9/15/15)
- Glencore Scraps Dividends, Raises Cash to Cut Debt (<http://www.wsj.com/articles/glencore-scraps-final-dividend-raises-cash-to-cut-debt-1441607323>) (9/7/15)
- Anglo American Credit Rating Downgraded to Junk (<http://www.wsj.com/articles/anglo-american-credit-rating-downgraded-to-junk-1455558853>) (2/15/16)

Last year, Glencore announced plans to reduce its net debt by more than \$10 billion, to between \$18 billion and \$19 billion, by the end of this year. This was aimed at easing investors' concerns that the company could lose its investment-grade credit rating given its heavy debt load if commodity prices remain low for longer or fall further.

Fitch Ratings downgraded Anglo American PLC to junk status Wednesday, just a day after the mining giant announced a more drastic restructuring plan to weather the current commodities turmoil.

The downgrade of the world's fifth-largest diversified mining company's credit rating to BB+ from BBB- follows Moody's Investors Service decision to downgrade the company by three notches to junk earlier in the week.

"We believe the reduced scale of the group [following the restructuring] together with the current weak credit metrics and uncertainty related to the timing and execution of the restructuring plan/asset sales are more commensurate with a 'BB' category rating," Fitch said.

Glencore said the loan refinancing was oversubscribed with just 37 banks offering \$8.4 billion in commitments. The firm will now seek to syndicate the loan through another 30 banks in the second quarter of this year.

The size of the loan was scaled back to reflect lower financing needs following the recent commodities price slump and the company's high liquidity of more than \$14 billion, the person close to the refinancing said.

The overall cost of the new loan is less than 1% of the total amount, the person said. Glencore managed to refinance the loan at a time when banks have become wary of lending money to miners that have been pummeled by falling commodity prices and crimped earnings. Loan proceeds to the global metals and mining industry fell 27% to \$122 billion in 2015 following a two-year period of relatively strong lending, according to a report from consultancy firm Ernst & Young.

Write to Alex MacDonald at alex.macdonald@wsj.com

Copyright 2014 Dow Jones & Company, Inc. All Rights Reserved

This copy is for your personal, non-commercial use only. Distribution and use of this material are governed by our Subscriber Agreement and by copyright law. For non-personal use or to order multiple copies, please contact Dow Jones Reprints at 1-800-843-0008 or visit www.djreprints.com.